

Statement of Representative Edward J. Markey (D-MA)
House Energy and Air Quality Subcommittee
Hearing on Regional Energy Reliability and Security:
DOE Authority to Energize the Cross Sound Cable
Wednesday, May 19, 2004

Thank you, Mr. Chairman, for calling today's hearing.

While all of us are hopeful that New York and Connecticut resolve their outstanding differences over the Cross Sound Cable, there is a larger issue that this Subcommittee needs to address. On August 14, 2003 our nation experienced the worst blackout in our nation's history. More than 60 thousand megawatts of power was cut off from those who needed it, leaving 50 million consumers without electricity. Those consumers – our constituents – want us to ensure that it never happens again.

While I am certain that the Cross Sound Cable has importance to those living in Eastern Connecticut and Long Island, New York, it is far from clear whether its operation or non-operation of this cable will have any major impact on the broader issue of the reliability of our nation's electricity grid. In fact, in its May 7, 2004, order terminating the requirement that the Cross-Sound Cable operate, the Department of Energy (DOE) cited the April 2004 report of the U.S.-Canada Power System Outage Task Force, which it stated did not "identify any particular role that the Cross-Sound Cable would have played in stopping the spread of the outage . . .". Based on that finding and other information, the Secretary of Energy found an emergency no longer exists, that DOE's Order should be terminated. The Secretary also announced that DOE would "continue to monitor the transmission and electric reliability situation in New England and New York" and that the Department might issue additional orders if circumstances changed.

So, what do we need to do to address the potential of a repeat of last year's blackouts?

First, I think that we should adopt H.R. 3004, which was introduced by Representative Dingell last year, and which I have cosponsored, which would make electricity reliability standards mandatory and enforceable. Democratic members of the Committee have been pressing for action on this legislation for several months, but the Republican majority has chosen instead to link its passage to enactment of the Bush-Cheney energy plan, which is filled with other extraneous special-interest provisions for the oil, gas, and nuclear industries and which would weaken our nation's environmental laws. In fact, even the Bush Administration's own Department of Energy's Energy Information Administration has admitted that enactment of the Republican energy bill would have a negligible impact on energy production, consumption or prices. I don't think we should allow H.R. 3004 to be held hostage any longer. We should take it up now and pass it.

Second, with respect to the situation in New England and the Northeast, it appears that while some transmission upgrades may be needed, the Cross Sound Channel has little real relevance to the reliability issues that are most pressing in our region. In this regard, I note that in testimony submitted to the Subcommittee in connection with today's hearing, ISO New England, the operator of New England's wholesale transmission system, has stated that while it supports operation of the Cross Sound Cable, the question of whether or not the cable is in operation has virtually no effect on New England's electricity transmission.

In particular, ISO New England's testimony states that:

"The Cross Sound Cable has no bearing on the electric reliability situation in Southwest Connecticut. It is simply not in the right location. The inadequate transmission system limits transportation of power from the cable location to the area of most need."

ISO New England's testimony concludes that "operation of the Cross Sound Cable does not improve the daily reliability problems that exist in Southwest Connecticut due to an extremely weak transmission system." At the same time, the ISO notes that "There may be, however, emergency situations in which either New York or New England would benefit by having an additional external interconnection from which to receive emergency power." Instead of the Cross Sound Cable, the ISO notes that "the 1385 cable between Southwest Connecticut and Long Island is a critical interconnection, and is in urgent need of repair" and that "When addressing the issue of interconnections between Connecticut and Long Island, it is appropriate that the situation on the 1385 cable also be addressed and resolved." I would urge FERC and state regulators to address this matter quickly, as it appears to be much more relevant to the issue of regional reliability than the Cross Sound Cable.

Finally, I think that the Subcommittee needs to look very closely and skeptically at some of the proposals that are now under consideration at the FERC to provide transmission utilities with higher "incentive rates" for meeting their obligation to provide wholesale transmission service, and to simultaneously provide generators with higher "locational installed capacity" (or LICAP) payments to subsidize uneconomic operations. While many of these proposals are being couched in arguments about reliability, it is not at all clear to me why such increased payments are justified and whether they bear any reasonable relationship to ensuring system reliability. FERC has a duty to help ensure that our electricity grid is reliable, but it also has a responsibility to ensure that the rates charged to consumers are just and reasonable. Why should FERC allow a monopoly transmission owner to receive high "incentive" payments in excess of the guaranteed return on equity that has historically been provided? And why should FERC authorize a LICAP subsidy for generators? Are such steps really necessary for grid reliability, or are they just a mechanism for increasing utility and generation company shareholder profits? These are questions that I think the Subcommittee needs to explore in much greater detail.

Thanks again for calling today's hearing, Mr. Chairman. I look forward to reviewing all of the testimony.